vulcan

1971 Annual Report

VULCAN CORPORATION

PRODUCTS FOR

FOOTWEAR

RECREATION

AND

MOLDED PLASTICS

FOR

PACKAGING

FOOD PROCESSING

HOUSEWARES

AND

CUSTOM APPLICATIONS

STOCK TRANSFER AGENTS

The First National Bank of Cincinnati, Cincinnati, Ohio
Chemical Bank, New York, New York

REGISTRARS

The Central Trust Company, Cincinnati, Ohio
Chemical Bank, New York, New York

AUDITORS

J. D. Cloud & Company, Cincinnati, Ohio
Wipfli, Ullrich & Company, Wausau, Wisc.
Clarkson, Gordon & Co., Kitchener, Canada

LEGAL COUNSEL

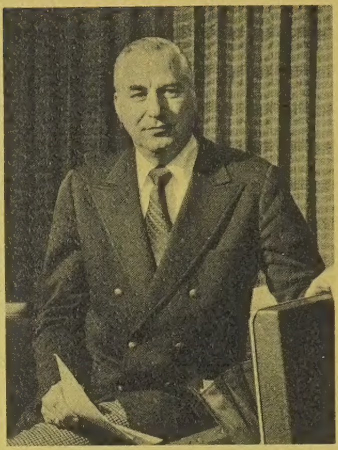
Brown & Gettler, Cincinnati, Ohio

Summary of 1971

	1971	1970	% of CHANGE
NET SALES	**$27,698,617**	$28,569,590	— 3.0
NET EARNINGS	**836,929**	373,309	+ 124.2
AFTER TAXES EARNINGS PER COMMON SHARE	**.41**	.18	+ 127.8
COMMON DIVIDENDS PER SHARE	**.10**	.15	— 33.3
SHAREHOLDER INVESTMENT	**8,909,151**	8,304,921	+ 7.3

61ST ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1971

J. W. BROWN
Chairman of the Board



LAWRENCE B. AUSTING
President

Directors

EXECUTIVE COMMITTEE

LLOYD I. MILLER/Chairman
President/American Controlled Industries, Inc.

J. W. BROWN
Chairman of the Board/Vulcan Corporation

LAWRENCE B. AUSTING
President/Vulcan Corporation

RAY R. BROWN
Industrial Realtor

WM. T. CRUTCHFIELD
W. E. Hutton Company

FRED A. DOWD
Retired Chairman of the Board
The First National Bank of Cincinnati

J. HOWARD FRAZER
Treasurer/American Controlled Industries, Inc.

BENJAMIN GETTLER
Partner/Brown & Gettler

SELDEN F. HIGH
President/Sullivan Electric Co.

JOHN F. KOONS, JR.
President/Burger Brewing Co.

DR. S. S. ROCKWERN
Physician

Officers

J. W. BROWN/Chairman of the Board

LAWRENCE B. AUSTING/President

JAMES P. FLAUGHER/Vice President and Secretary

J. ROBERT KRAUS/Vice President — Heels

LOUIS F. LAUMAN/Vice President — Lasts

GEORGE M. ZIEPFEL/Vice President — Bowling

WALLACE H. PEARSON/Treasurer

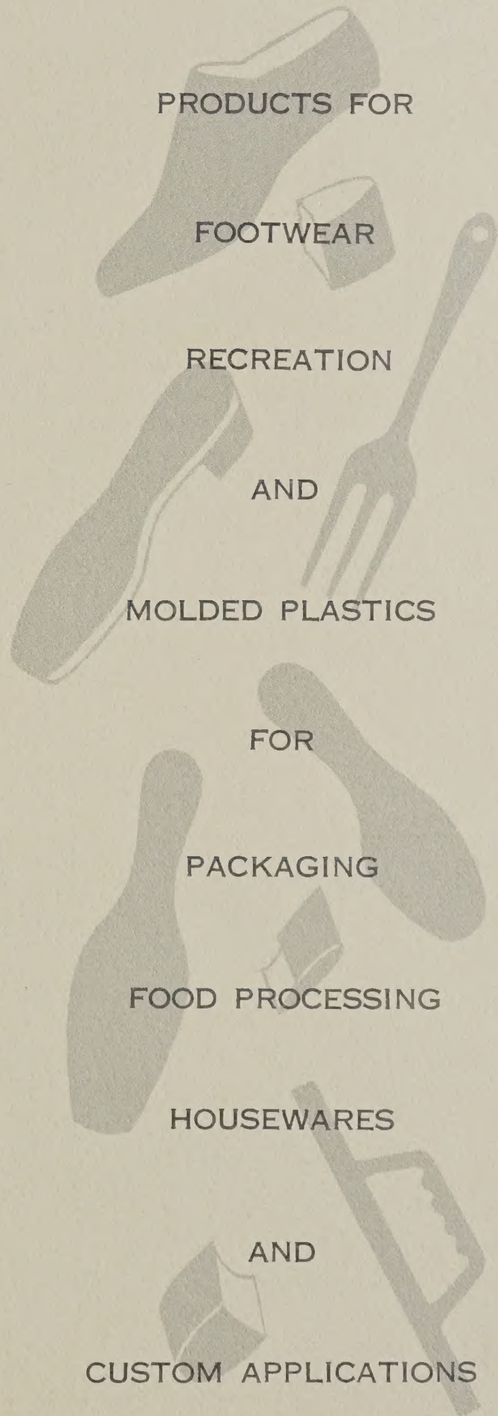
GLEASON W. LUNN/Controller

VERNON E. BACHMAN/Assistant Secretary

JOSEPH GLENDYE, JR./Assistant Treasurer

Vulcan Corporation Cincinnati, Ohio

March 17, 1972



To the Shareholders

The economy moves instituted both before and during 1971 showed improved results not only for the year as a whole, but in each individual quarter as well. Despite a 3% drop in sales, 1971 earnings were the fourth best in the corporation's history and more than double 1970 earnings.

Having gone through a period of retrenchment, as dictated by the economy and conditions in the industries we serve, the company was prepared, as the economic picture brightened, to reinstitute a program of selective expansion which could provide a launching pad for renewed growth. A quarter-by-quarter summary of the expansion steps taken during the year shows entry into a new field, plastic products, in the second quarter; expansion of production capability in a proven product, bowling pins, in the third quarter; and finally an addition to our line of footwear components, unit soles, in the fourth quarter. Each of these steps was undertaken after extensive study and none of them had a significant effect on 1971 results, but each provides a sturdy base for development in 1972 and future years.

EARNINGS . . . Net sales were $27,698,617 in 1971 compared to $28, 569,590 in 1970. Net profits for the year after taxes were $836,929 which amounted to 41¢ per share after payment of dividends on preferred stock. This compared to profits of $373,309 or 18¢ per share in 1970. The 1971 earnings include a non-recurring income of $61,977 from insurance proceeds.

FINANCIAL . . . Net working capital at December 31, 1971 was $5,659,796 compared to $3,014,573 in 1970. Capital expenditures, exclusive of acquisitions, were $697,790 compared to total depreciation of $1,127,658. A loan, repayable over five years, in the amount of $3,000,000 was negotiated to replace the combination of intermediate and short-term borrowing that had been undertaken in recent years to finance acquisitions. (See Number 5 in Notes to Financial Statements.) As part of a purchase contract, stock options in

the amount of 5000 shares were granted during the year under the plan authorized at the annual meeting in 1970. No other options are outstanding at this time. 135 shares of $3.00 Prior Preferred Stock and 80 shares of $4.50 Cumulative Preferred Stock were purchased and retired. There was no change during the year in the number of Common shares outstanding or in treasury. The corporation completed 21 years of consecutive quarterly dividend payments on the Common shares during the year.

EXPORT OPERATIONS . . . A subsidiary, Vulcan International Corporation, was formed as a Domestic International Sales Corporation (DISC). A DISC is granted favorable tax treatment under the Revenue Act of 1971 to encourage export sales as part of the Administration's plan for economic development and elimination of the balance of payment deficits. As is the case of a typical foreign corporation, the DISC itself is not subject to United States federal income tax, but the DISC's shareholder (Vulcan Corporation) is treated as receiving one-half of the DISC's net income currently and pays tax accordingly. The remaining one-half of the earnings of Vulcan International may be retained and reinvested in its export business without, in general, liability for federal income tax for at least 10 years. The retained earnings may also be loaned to the parent company for general purpose uses. To qualify for a DISC, at least 95% of gross receipts must arise from export sale activities and at least 95% of its assets must be export related. All export sales of Vulcan products, including the sale of bowling pins to the rapidly expanding Japanese market of which we have a substantial share, will be handled by Vulcan International Corporation.

PLASTIC PRODUCTS . . . The corporation began staffing the Plastic Products Division during the year and, following completion of market studies, penetration of several market areas is now under way. A housewares line was shown at the National Housewares Show, McCormick Place, Chicago (January 17 to 21, 1972) and attracted buyer interest. Several proprietary items developed by the company, such as the BOOT-AIRE®, are being sold through shoe chains, department stores and discount houses. Two products, one for the business equipment field, the other a photographic supply item, are under development with a target date for completion by mid-1972. Other potential products are either in the final stages of market study or in the development process.

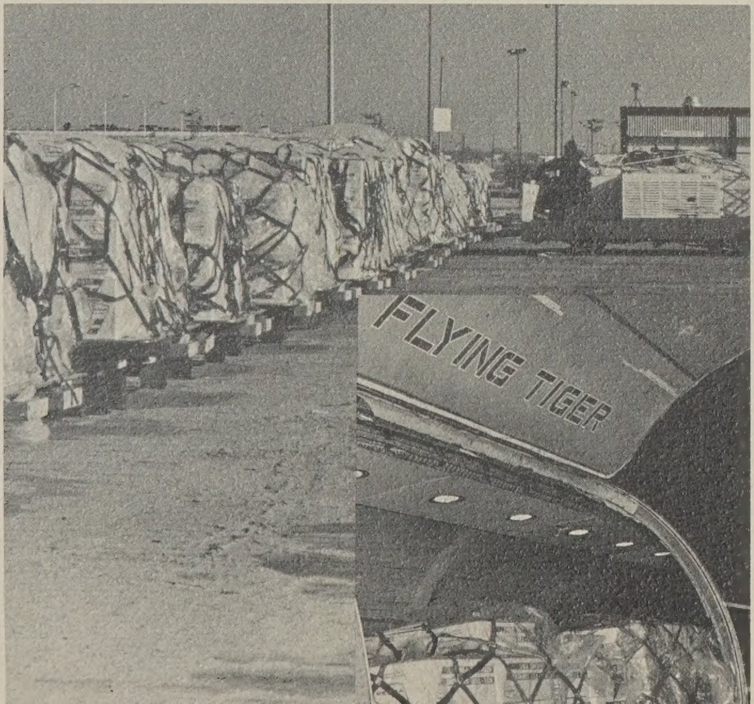
Manufacturers representatives to handle both proprietary items and to solicit custom molding are being recruited. Initially, the Plastics Division is using the manufacturing facilities and personnel of the Shoe Products Division's molding plants for the manufacture of its products. This serves to minimize investment and maximize utilization of equipment. The division is expected to show steady growth. It should be remembered, however, any new venture involves higher-than-normal operating costs during the start-up period and, therefore, while sales might increase, immediate profits do not necessarily follow.

SHOE PRODUCTS . . . Domestic shoe production decreased at a lesser rate in 1971 than in previous years while imports, inhibited by the dock strike, the surcharge and subsequent devaluation, increased their market share by approximately 3% — the smallest increase in recent years. Your corporation adjusted operations closing three small heel plants in Portsmouth, Ohio; Johnson City, New York; and East Rochester, New Hampshire. The production of these units was transferred to other corporate locations better situated to meet the requirements of the changing markets. The elimination of these marginal operations coupled with stringent economy measures enabled the plants in the Shoe Products Division to improve their operating results. One of the major problems of the Shoe Products Division has been the loss of sales caused by the decrease in domestic production of shoes.

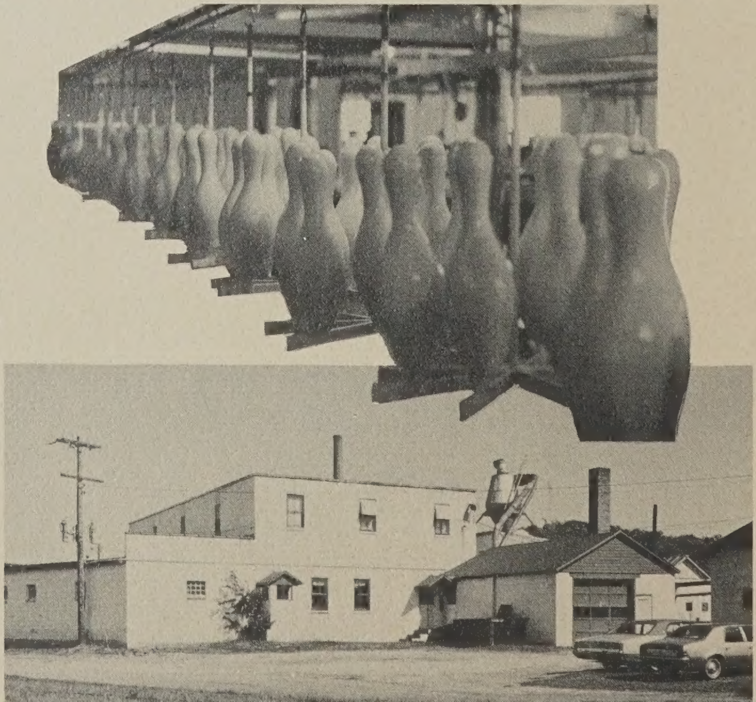
Two developments during the year will help this division overcome this problem as they open the door to markets not previously available to us. One of these developments, the introduction of high heel mens shoes in the fall and winter footwear collections, created intense fashion excitement. These heels, which we began shipping in ever-increasing quantities late in 1971, enabled us to supply the mens shoe industry which heretofore had used, almost exclusively, heels made of leather or composition materials which we were not equipped to produce. (See page 6 for more information.)

The other development opening new markets is the production of unit soles. Unit soles, also known as premolded outsoles, have received tremendous fashion acceptance since mid-1970. Prior to this time such unit soles were used pri-

AIR LIFT — PINS . . . To avoid U.S. dock strike, 11 chartered Boeing 707's were used by our Japanese distributors, Sanko International, Inc. and Kanematsu-Goshu, Ltd., to airlift bowling pins urgently needed by new bowling centers in Japan.



RICHLAND CENTER . . . Wisconsin plant, acquired September 13, 1971, is shown before construction to double floor space was begun in late October. View of conveyorized production line used in application of plastic coating at the plant.



marily on work shoes and other types of standard, generally inexpensive mens and juvenile footwear. New materials and techniques developed during the past eighteen months have made the unit sole available for high-style footwear in all price ranges of mens, womens and juvenile production.

The unit sole is not trimmed to size on the shoe and must, therefore, fit the last perfectly. Because of its close relationship to the last, your company, capitalizing on its position as a major supplier of shoe lasts and its technology as a plastic molder, announced its intention to enter the unit sole market in December. Initial production orders will be shipped by the end of the first quarter, 1972; sales are expected to accelerate as the year progresses. (See page 6 for additional information.)

SPORTS PRODUCTS . . . Once again, sales of bowling products broke all previous records. To keep pace with demand, Richland Center Bowling Pin, Inc., Richland Center, Wisconsin, was acquired in September. This plant produced bowling pins under the Dix label for Dix Manufacturing Co. of Cincinnati which was also acquired in the transaction. A building program to expand the Richland Center plant was undertaken late in the year and, when completed about April, will increase the corporation's overall capacity nearly 75%. Most of this added production will be shipped to Japan and other foreign markets through our newly-formed export subsidiary, Vulcan International Corporation.

The bowling boom in Japan has created a severe shortage of hard maple in the United States and Canada. This places new importance on the timber reserves held by the corporation in Michigan's upper peninsula.

FOREST PRODUCTS . . . The corporation's holdings of timber and timber acreage in Michigan's upper peninsula remain virtually unchanged at 12,867 acres of land and timber and cutting rights on 3681 acres. This acreage is in an area noted for the quality of its hardwoods. Inasmuch as the timber stands contain in excess of 60% hard maple, efforts to sell the timber were terminated during the year to hold the acreage as a potential source of material for our bowling operations, thereby insuring a sufficient supply of raw material to maintain our position as a leading supplier of bowling pins in both the domestic and foreign markets.

OTHER PRODUCTS . . . The Surface Coatings Plant has passed the break-even point and is supplying a major portion of the corporation's lacquer requirements. It is now in the process of expanding both its customer list and product line. One of the products to be added will be finishes for unit soles.

Lolli Mfg., Inc., a producer of molds for injection molding, increased its volume in 1971. Your corporation owns a 50% interest in this company. The Plastics Division, like the Shoe Products Division, will rely on this company for a portion of its mold requirements. The ability to design, engineer and produce molds is a valuable asset to any plastics operation. Approximately 20% of the corporation's molds were produced by Lolli Mfg. in 1971.

NOTES AND COMMENTS . . . The results of 1971 encourage us to believe we have met the challenge of declining volume and are now prepared to reverse the trend and once more build sales and profits. Generally speaking, the men and women comprising the work force of Vulcan have maintained a high esprit de corps in spite of layoffs, cut-backs and restriction of personal earnings.

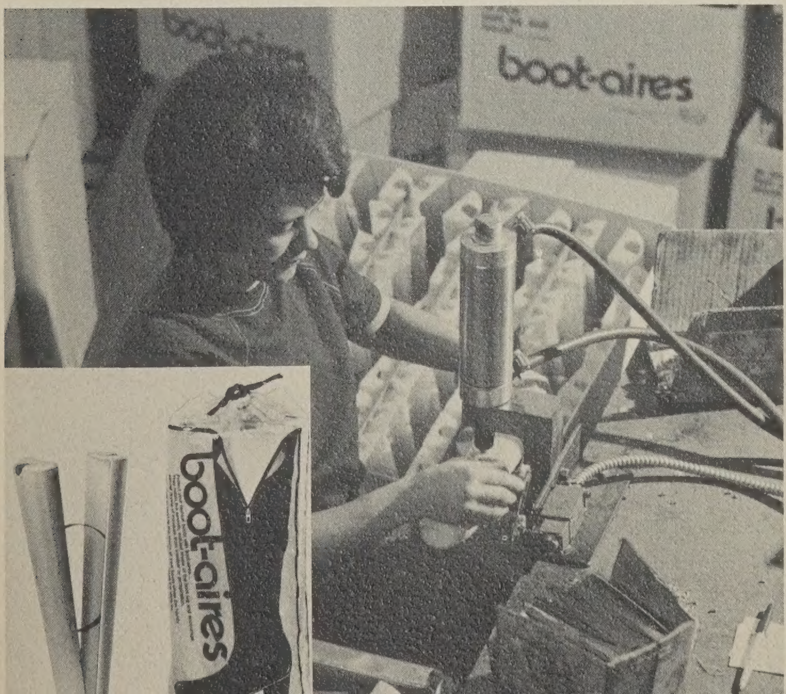
The corporation's entry during 1971 into diversified plastic molding, the expansion of the bowling operation, the development of mens heels, and entry into the unit sole business have opened new vistas to our personnel, revitalizing their spirits and increasing the morale level of the entire organization. A word of appreciation is extended to all of the men and women of Vulcan for their efforts and neverlagging interest, and to the shareholders for their support during the trying days of 1969 through 1971.

Respectfully submitted,
VULCAN CORPORATION

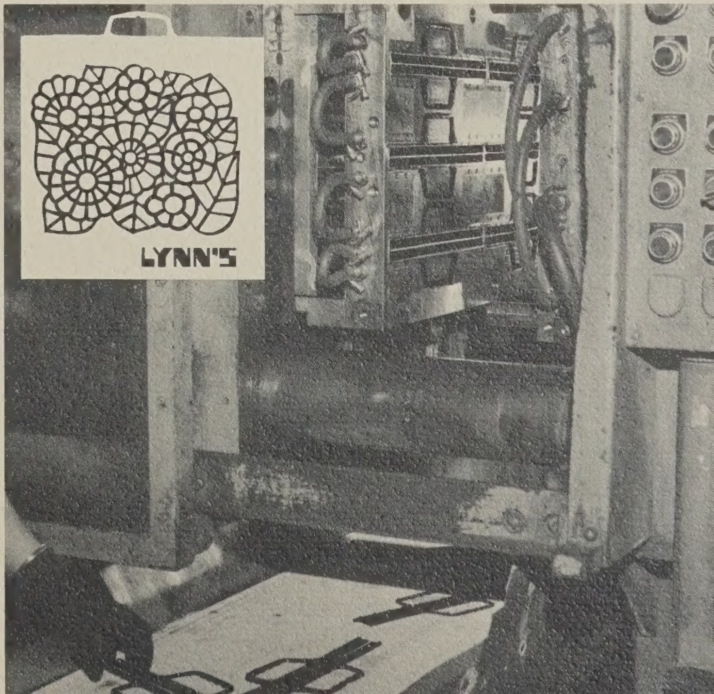
J. W. Brown	Lawrence B. Austing
Chairman of the Board	*President*

By Order of the Board of Directors

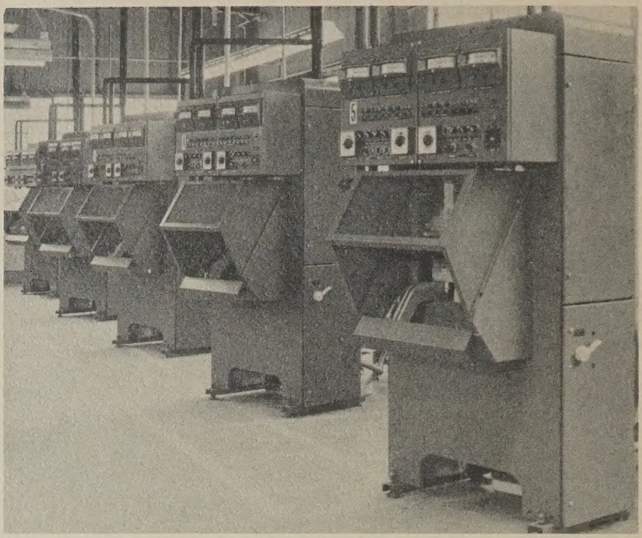
BOOT-AIRE® ASSEMBLY . . . Developed by R & D, BOOT-AIRES® are a proprietary, molded product for both mens and womens boots to encourage the natural drying of moisture while retaining the smooth, molded shape of a boot leg.



HANDLE MOLD . . . Producing plastic handles at Blanchester molding plant from handle mold designed and manufactured by Lolli Mfg., Inc. to be used on plastic shopping bags and other packaging applications of bag manufacturers.

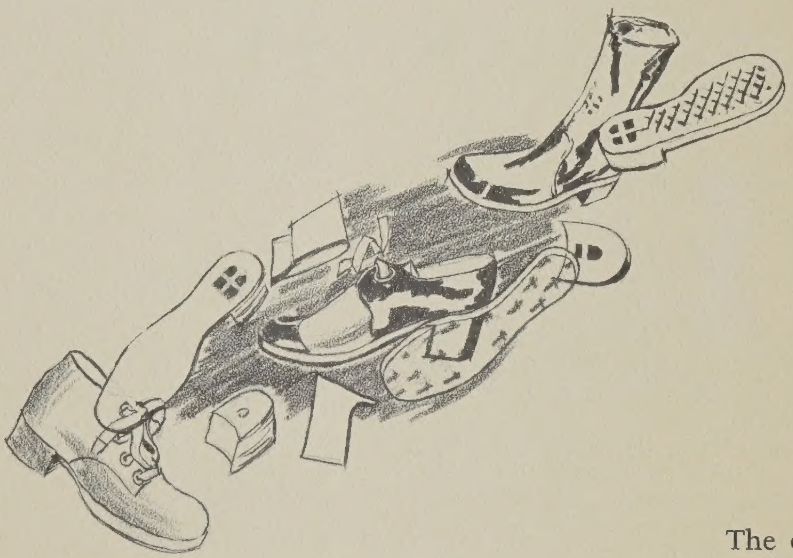


Coordi-mates — Vulcan's coordinated line of lasts, heels, insole shanks and unit soles in matched grade — were introduced late in 1971 and will be in production by the start of the second quarter in 1972. In the Coordi-mate program each of the products complements one another and provides the shoe manufacturer with a unique, one-stop approach to his styling problems that cannot be offered by any other manufacturer. The Coordi-mated unit sole, a new product for Vulcan, opens sales opportunities in the outsole makets heretofore dominated by producers of rubber and leather sheeting and pre-molded products. While the production of footwear has been decreased by imports, domestic production still is in excess of 550 million pairs per year and each is a potential user of the unit soles being offered through Vulcan's existing network of last and heel salesmen in the U.S. and Canada.

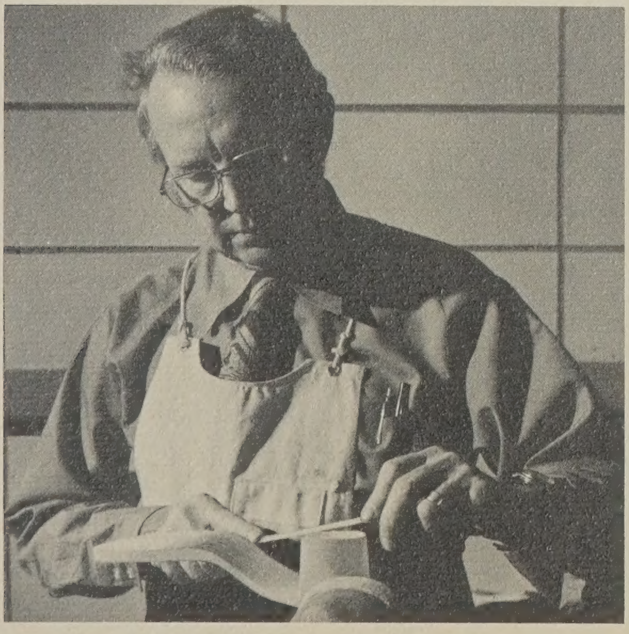


MOLDING MACHINE . . . Unit sole molding machines are being installed at the molding plants in Lawrence, Mass.; Springfield, Tenn. and Montreal, P.Q., Canada.

Coordi-mated unit soles offer new opportunities to shoe manufacturers for creative styling at lower cost. Unique effects can be obtained in the molded unit soles which are either impossible to reproduce or too costly to obtain by conventional methods.



MODELMAKER . . . Modelmaker producing a model for unit sole. After approval by shoe manufacturer, model will be used as pattern for production of mold.



The elimination of numerous highly skilled operations in sole and heel attaching and finishing makes them attractive to the shoe manufacturer as they simplify his operation and reduce costs.

Another development opening new markets in the footwear industry is high heels for mens shoes. These shoes, such as are illustrated on this page, featuring prefinished, imaginatively-styled heels $1^1/_4$ to $2^1/_2$ inches high, have been making fashion news since their introduction during the latter part of 1971. The high mens heels are produced and used in a similar manner to the womens heels we have been producing since the 20's. They open markets for finished heels previously serviced almost exclusively by producers of rubber and leather heels.

Neither these materials nor the equipment used to produce them is readily adaptable to the new style trend; whereas, both our molding equipment and our finishing facilities are ideal for producing this type of heel.

Vulcan Corporation
Consolidated Statement of Earnings and Retained Earnings

For the years ended December 31, 1971 and December 31, 1970

	1971	1970
Net sales	$27,698,617	$28,569,590
Cost of sales	22,957,826	24,381,848
Gross profit	4,740,791	4,187,742
Selling, general and administrative expenses	3,052,868	2,998,708
Earnings from operations	1,687,923	1,189,034
Other expenses — net	182,926	399,044
Earnings before provision for federal, state, foreign income taxes and extraordinary item	1,504,997	789,990
State and foreign income taxes	70,045	47,681
Federal income tax	660,000	369,000
	730,045	416,681
Earnings before extraordinary item	774,952	373,309
Extraordinary item — Excess of proceeds over cash value of life insurance	61,977	—
NET EARNINGS	$ 836,929	$ 373,309
Per share of common stock outstanding:		
Earnings before extraordinary item	$.38	$.18
Extraordinary item	.03	—
Net earnings	$.41	$.18
Retained earnings — beginning of year	$ 5,360,581	$ 5,308,543
Net earnings	836,929	373,309
	6,197,510	5,681,852
Cash dividends paid —		
$3.00 prior preferred, $3.00 per share	6,300	6,641
$4.50 cumulative preferred, $4.50 per share	19,075	19,492
Common — 1971, $.10 per share; 1970, $.15 per share	196,762	295,138
	222,137	321,271
Retained earnings — end of year	$ 5,975,373	$ 5,360,581

The accompanying notes are an integral part of this statement.

ASSETS

CURRENT ASSETS:
Cash
Marketable securities — at cost
value $13,000)
Accounts and notes receivable (l
possible losses in collection
Inventories — at lower of cost o
Prepaid insurance

PROPERTY, PLANT AND EQUIPM
Land
Timberlands and timber cutting
Buildings and improvements
Machinery and equipment
Leasehold improvements
Total
Less — Accumulated deprecia

DEFERRED CHARGES AND OTHE
MODELS AND PATTERNS — at nc

TOTAL

The accompanying notes are an integral part of t

Vulcan Corporation
Consolidated Balance Sheet
At December 31, 1971 and December 31, 1970

S

	1971	1970
	$ 645,915	$ 401,880
st (approximate market	13,950	13,950
e (less allowance for on $190,519 in 1971, $186,381 in 1970)	5,174,232	5,084,339
t or market	3,463,986	3,584,348
	124,267	134,915
	9,422,350	9,219,432
IPMENT — at cost: (Note 5)		
	270,478	231,756
ng rights	449,591	548,278
	4,816,863	4,592,645
	9,216,406	9,051,251
	229,685	224,012
	14,983,023	14,647,942
iation	8,352,139	7,636,438
	6,630,884	7,011,504
HER ASSETS	583,014	595,742
nominal value	1	1
	$16,636,249	$16,826,679

of this statement.

LIABILITIES AND SHAREHOLDER

CURRENT LIABILITIES:
- Notes payable
- Accounts payable —
  - Trade
  - Other
- Accrued expenses
- Accrued federal taxes on income
- Current portion of long term debt

OTHER LIABILITIES

LONG TERM DEBT (Note 5)

SHAREHOLDERS' EQUITY:
- Capital stock
  - $3.00 Prior Preferred, stated value $100.00 per share; authorized 6,641 shares; outstanding 2,063 shares — 1971, 2,198 shares — 1970
  - $4.50 Cumulative Preferred, stated value $55.00 per share — redemption or liquidation value $100.00 per share; authorized 13,281 shares; outstanding 4,212 shares — 1971, 4,292 shares — 1970
- Common — no par value
  - Authorized 3,000,000 shares; outstanding 1,969,512 shares
- Capital surplus (Note 2)
- Retained earnings

Less — Common stock in treasury — at cost; 1934 shares

TOTAL

QUITY

1971	1970
$ 255,000	$ 2,452,592
1,425,161	1,646,244
124,701	181,998
776,954	642,344
482,567	263,868
698,171	1,017,633
3,762,554	6,204,679
104,761	140,278
3,859,783	2,176,801
206,300	219,800
231,660	236,060
246,189	246,189
2,282,943	2,275,605
5,975,373	5,360,581
8,942,465	8,338,235
33,314	33,314
8,909,151	8,304,921
$16,636,249	$16,826,679

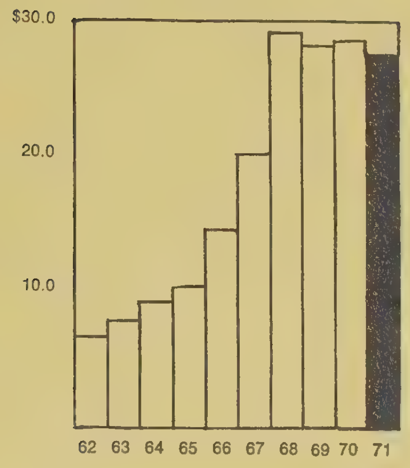
Vulcan Corporation
Consolidated Statement of Changes in Financial Position

For the years ended December 31, 1971 and December 31, 1970

	1971	1970
SOURCES OF WORKING CAPITAL:		
Net earnings	$ 836,929	$ 373,309
Add deductions made in determining net earnings which do not represent current fund expenditures —		
Provision for depreciation	1,127,658	1,182,375
Provision for depletion	14,146	22,644
Deferred compensation expense	—	42,399
Deferred charges absorbed in operations	12,728	29,351
Funds provided from operations	1,991,461	1,650,078
Increase in long term borrowing	1,682,982	573,707
Disposal of property, plant and equipment — depreciated cost	43,187	44,384
Proceeds from sale of timber tracts	10,500	—
TOTAL	3,728,130	2,268,169
APPLICATION OF WORKING CAPITAL:		
Purchase of property, plant and equipment	812,071	2,126,587
Purchase of timber tracts	2,800	17,000
Decrease in deferred compensation	35,517	—
Cash dividends paid —		
Preferred stock	25,375	26,133
Common stock	196,762	295,138
Retirement of preferred stock	10,562	8,204
TOTAL	1,083,087	2,473,062
INCREASE (DECREASE) IN WORKING CAPITAL	$ 2,645,043	($ 204,893)
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT:		
Cash	$ 244,035	($ 96,289)
Accounts receivable	89,893	(1,054,982)
Inventories	(120,362)	(609,043)
Prepaid insurance	(10,648)	(15,601)
Notes payable due within one year	2,517,054	837,531
Accounts payable	278,380	527,827
Accrued expenses	(134,610)	200,492
Accrued federal taxes on income	(218,699)	5,172
	$2,645,043	($ 204,893)

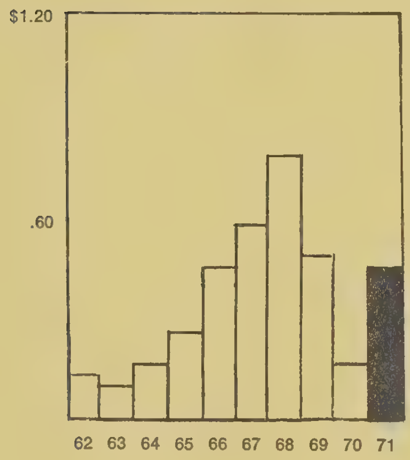
The accompanying notes are an integral part of this statement.

SALES



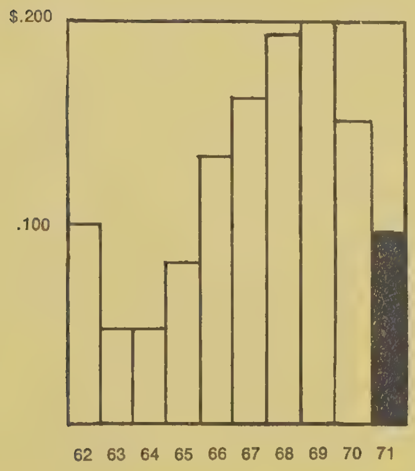
NET SALES (in millions)

EARNINGS



EARNINGS per common share

DIVIDENDS



DIVIDENDS per common share

10 year Record of

	1971
NET SALES	$27,698,617
DEPRECIATION	1,127,658
EARNINGS BEFORE TAXES	1,566,974
INCOME TAXES	730,045
NET EARNINGS	836,929
EARNINGS PER COMMON SHARE*	.41
DIVIDENDS PER COMMON SHARE*	.100
TOTAL ASSETS	16,636,249
PROPERTY, PLANT AND EQUIPMENT	6,630,884
CURRENT ASSETS	9,422,350
RATIO CURRENT ASSETS TO CURRENT LIABILITIES	2.50 to 1
TOTAL SHAREHOLDERS' EQUITY	8,909,151

Growth Vulcan Corporation and Subsidiaries

1970	1969	1968	1967	1966	1965	1964	1963	1962
$28,569,590	$28,467,388	$29,648,125	$21,436,477	$15,002,912	$11,813,997	$ 9,881,967	$ 8,278,869	$ 7,738,430
1,182,375	1,131,516	972,348	662,079	481,308	409,427	460,033	436,869	367,580
789,990	1,811,573	3,076,478	2,121,433	1,371,081	835,692	511,921	269,984	409,249
416,681	862,663	1,527,931	979,756	575,034	343,881	186,949	85,200	101,330
373,309	948,910	1,548,547	1,141,677	796,047	491,811	324,972	184,784	307,919
.18	.48	.79	.59	.41	.25	.15	.08	.14
.150	.200	.195	.167	.137	.084	.048	.048	.101
16,826,679	17,737,761	15,210,379	12,840,547	10,368,248	6,244,622	5,675,341	5,749,431	5,133,155
7,011,504	6,117,320	5,842,225	4,355,922	3,634,601	2,095,706	1,945,715	2,239,271	2,213,960
9,219,432	10,995,347	8,736,244	8,030,547	6,498,824	4,066,299	3,635,277	3,329,148	2,851,258
1.49 to 1	1.41 to 1	1.63 to 1	1.96 to 1	2.71 to 1	3.37 to 1	4.38 to 1	2.87 to 1	5.04 to 1
8,304,921	8,261,087	7,278,615	6,237,628	5,422,552	5,000,838	4,776,442	4,590,125	4,567,499

*Reflects two-for-one stock split effective April 23, 1969, 5% stock dividend paid May 15, 1968, two-for-one stock split effective June 2, 1967, and two-for-one stock split effective April 28, 1961. Per share earnings have been computed in accordance with currently accepted practice on the basis of the average number of shares outstanding during the year.

Notes to Consolidated Financial Statements

NOTE 1 — The consolidated financial statements include the accounts of the parent company and all subsidiaries both in the United States and Canada. In consolidation all intercompany items and transactions have been eliminated.

NOTE 2 — The increase in capital surplus during the year represents the net excess of the stated value over the cost of preferred stock redeemed, amounting to $7,338.

NOTE 3 — Depreciation in the amount of $1,127,658 and timber depletion in the amount of $14,146 were charged to operations in 1971. Depreciation was computed by the straight line, sum of years' digits and declining balance methods, based on the estimated useful lives of the assets.

NOTE 4 — The company and certain of its subsidiaries maintain contributory and non-contributory pension plans for eligible salaried and hourly employees. The company's policy is to fund pension cost accrued. The total pension expense for the year, amounting to $210,339 included amortization of prior service cost over a thirty year period. Unfunded prior service cost at December 31, 1971 amounted to approximately $690,000. The actuarially computed value of vested benefits for all plans as of December 31, 1971 was less than the total of the pension funds and balance sheet accruals.

NOTE 5 — Long term debt exclusive of the current portion consisted of the following:

Notes payable to bank:	
5¾% payable in quarterly installments of $150,000	$2,100,000
7% payable in annual installments of $18,600	97,650
6% "Small Business Administration Loans" due in 1975 in monthly installments of $2,778, including interest	84,025
Mortgages payable to banks:	
6%, due in 1973, in quarterly installments of $936, including interest	1,126
6%, due in 1977, in monthly installments of $311, including interest	16,004
6¾%, due in 1983, in monthly installments of $1,195, including interest	109,230
8%, due in 1979, in monthly installments of $971, including interest	60,270
Long term lease obligations	1,391,478
	$3,859,783

Provisions of loan agreements relating to certain long term debts (excluding long term lease obligations) require the company, among other things, to maintain consolidated net current assets of $4,000,000, to obtain the consent of the lenders to create any mortgage or lien upon any assets, and also to obtain consent to declare or pay any cash dividends on, purchase, acquire, or redeem any of its capital shares, if the effect of any such action would reduce its retained earnings below $5,000,000.

The long term lease obligations relate to land, buildings and machinery and equipment leased from certain municipalities. Long term lease obligations at December 31, 1971 are as follows:

	FACILITIES LEASED FROM		
	City of Brockton, Mass.	City of Springfield, Tenn.	TOTAL
Long term lease obligations	$980,000	$445,395	$1,425,395
Less—Portion included in current liabilities	20,000	13,917	33,917
	$960,000	$431,478	$1,391,478

The Brockton facilities were financed by the sale of City of Brockton, Massachusetts Industrial Revenue Bonds. The issue bears interest of 7% to 8¼% per annum and matures serially in progressive annual amounts ranging from $20,000 in 1971 to $100,000 in 1990. The lease payments to be made by the company are in an amount equal to principal and interest payments due on the bonds through 1990. Under the terms of the lease agreement, the company has an option to purchase the facilities for a nominal sum at the expiration or sooner termination of the lease term following full payment of the bonds or provision for payment in accordance with the terms of the indenture.

The Springfield facilities were financed by private funds. The lease obligation is payable over 20 years, beginning in 1970, in annual amounts of $40,884 representing both principal and interest. Under the terms of the lease agreement, the company has the right to purchase the facilities at any time for the unpaid principal balance owing.

In both instances, the leasehold interests have been capitalized; the assets are included in property, plant and equipment and are being depreciated over their estimated useful lives.

NOTE 6 — The company is defendant in a suit claiming damages in the approximate amount of $400,000. The company denies all allegations of liability and, in the opinion of legal counsel, the company should eventually prevail.

NOTE 7 — The company and its subsidiaries occupy manufacturing and office space and rent certain equipment under various leases with approximate aggregate annual rentals as follows (excluding long term lease obligations described in Note 5):

1972	$160,000
1973	140,000
1974	110,000
1975	100,000
1976 to 1980	190,000
	$700,000

J. D. CLOUD & CO.
CERTIFIED PUBLIC ACCOUNTANTS
TRI-STATE BUILDING
CINCINNATI
MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Vulcan Corporation
Cincinnati, Ohio

We have examined the consolidated balance sheet of Vulcan Corporation and subsidiaries as of December 31, 1971 and the related consolidated statements of earnings and retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of Vulcan Corporation and subsidiaries at December 31, 1971 and the consolidated results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. D. Cloud & Co.
Certified Public Accountants

Cincinnati, Ohio
February 22, 1972

Vulcan Corporation
Plant and Office Locations

Executive, Sales, Engineering, Computer Services — Six East Fourth Street, Cincinnati, Ohio

BOWLING PIN PLANTS

Antigo, Wisconsin — D. F. Degenhardt, Gen. Mgr.
Hancock, Michigan — H. Grondine, Mgr.
Richland Center, Wisconsin — W. A. Lawton, Mgr.

SHOE LAST PLANTS

Blanchester, Ohio — J. H. Jorling, Mgr.
Brockton, Mass. — M. R. Shields, Mgr.
East Bridgewater, Mass. — R. F. Ripley, Pres.
Kenton, Tennessee — M. E. Wade, Mgr.
Preston, Ontario, Canada — A. D. Iredale, Pres.
Walnut Ridge, Arkansas — L. S. Nichols, Mgr.

SHOE LAST REMODELING PLANTS

Brockton, Mass. — M. R. Shields, Mgr.
Portsmouth, Ohio — J. McHugh, Mgr.
Walnut Ridge, Arkansas — L. S. Nichols, Mgr.

UNIT SOLE MOLDING AND FINISHING

Lawrence, Mass. — R. R. Borchers, Mgr.
Montreal, Quebec, Canada — R. R. Lefebvre, Mgr.
Springfield, Tennessee — J. Dew, Mgr.

INJECTION MOLDING PLANTS, SHOE HEELS & GENERAL MOLDING

Amesbury, Mass. — N. L. Brody, Pres.,
D. E. Brandenburg, Mgr.
Blanchester, Ohio — J. H. Jorling, Mgr.
Kenton, Tennessee — M. E. Wade, Mgr.
Lawrence, Mass. — R. R. Borchers, Mgr.
Montreal, Quebec, Canada — R. R. Lefebvre, Mgr.
Springfield, Tennessee — J. Dew, Mgr.

HEEL FINISHING PLANTS

Amesbury, Mass. — R. S. Brody, Mgr.
Hanover, Pennsylvania — W. E. Mahone, Mgr.
Los Angeles, California — L. Milchen, Pres.
Montreal, Quebec, Canada — R. R. Lefebvre, Mgr.
Quebec, P.Q., Canada — R. R. Lefebvre, Mgr.
Springfield, Tennessee — J. Dew, Mgr.
Streetsville, P.Q., Canada — H. J. Bonham, Mgr.
Union, Missouri — J. A. Phillips, Mgr.

WOOD HEEL TURNING PLANTS

Montreal, Quebec, Canada — R. R. Lefebvre, Mgr.
South Charleston, Ohio — C. E. Bartlett, Mgr.
Springfield, Tennessee — J. Dew, Mgr.

SURFACE COATING PLANT

Amesbury, Mass. — R. F. Beaumont, Mgr.

RESEARCH AND DEVELOPMENT

Cincinnati, Ohio — C. J. Hunt, Mgr.
Lawrence, Mass. — E. H. Peabody, Mgr.

STYLE — SALES OFFICES

Empire State Bldg., New York City — Montreal, P.Q., Canada — St. Louis, Missouri

vulcan

Woodard and Wright Last Corp.
E. Bridgewater, Mass.

The Great Western Heel Co., Inc.
Los Angeles, Calif.

Amesbury Plastic, Inc.
Amesbury, Mass.

The Canada Last Co., Ltd.
Preston, P.O., Canada

Brockton Last Remodeling Corp.
Brockton, Mass.

Southern Heel Company
Springfield, Tenn.

Morton Last Co.
Portsmouth, Ohio

Penn-Vulcan Heel Co.
Hanover, Pa.

Vulcan International Corporation
Cincinnati, Ohio

VULCAN CORPORATION / CINCINNATI, OHIO 45202 U.S.A.